

them with shelter, assistance, and above all, the warmth and kindness of a loving family.

Mr. Speaker, I ask my colleagues to join me in paying tribute to two extraordinary people who I'm exceedingly proud to call my friends. We are a better community, a better country and a better people because of Victoria and Joe Cotchett.

**A BILL TO PERMIT COOPERATIVES
TO PAY DIVIDENDS ON PRE-
ferred STOCK WITHOUT RE-
DUCING PATRONAGE DIVIDENDS**

HON. WALLY HERGER

OF CALIFORNIA

IN THE HOUSE OF REPRESENTATIVES

Thursday, June 21, 2001

Mr. HERGER. Mr. Speaker, today I rise to introduce the Cooperative Dividend Equity Act. This legislation will help to end an unfair tax on cooperatives and their members.

As those of us from agricultural and rural areas can attest, cooperatives play a vital role in many Americans' lives. Whether it be farmers pooling their resources in order to survive in the global marketplace, consumers maximizing their buying power through volume purchasing, or healthcare facilities providing community-based services—cooperatives facilitate people working together for a common good.

One of the greatest challenges facing cooperatives today is access to capital. In order to raise much needed capital and avoid further debt, many cooperatives are considering issuing preferred stock. However, under the current tax laws, stock dividends paid to stockholders are taxed three times: 1) when they are earned by the cooperative; 2) when received by the stockholder; and 3) at the corporate level when earnings are distributed. Three levels of tax on the earnings of a cooperative! Here is how it works.

Members of cooperatives are taxed on income generated by the cooperative. The cooperative itself, however, is not taxed so long as any "patronage income" is distributed to its members. Cooperatives frequently earn at least some non-member, or "nonpatronage," income. Much like a corporation, a cooperative must pay taxes on such non-patronage income, just as the stockholder (whether a member or non-member) must also pay tax on that income when it is distributed as a dividend. Unlike a corporation, however, cooperatives must then pay what amounts to a third tax due to the operation of an obscure IRS rule.

The "dividend allocation rule" imposes a third level of taxation on the cooperative by reducing the amount of patronage dividends paid to cooperative members. Cooperatives, such as a typical farming cooperative, may deduct dividends paid to patrons from taxable income. IRS regulations, however, provide that net earnings eligible for the patronage dividend deduction are reduced by dividends paid on capital stock. This requirement has been interpreted to mean that even dividends paid out of nonpatronage earnings will be "allocated" to a cooperative's patronage and nonpatronage earnings in proportion to the relative amount of patronage/nonpatronage business done by the cooperative. This "allocation" significantly reduces the amount of net earnings from the patronage operation that

may be claimed as a deduction, thus increasing the cooperative's level of taxation.

Put more simply, the "dividend allocation rule" allocates income already taxed against what would have otherwise been a deduction. As a result, cooperatives pay more taxes on income used to pay a dividend on stock than would a non-cooperative corporation.

It is time to end the triple taxation on cooperative income and give farmers, consumers, hospitals, and other coop members the flexibility they deserve in structuring their affairs. It is time to eliminate the dividend allocation rule and pass the Cooperative Dividend Equity Act of 2001.

**HONORING THE MEMORY OF
MAJOR GENERAL DANIEL F.
CALLAHAN**

HON. VAN HILLEARY

OF TENNESSEE

IN THE HOUSE OF REPRESENTATIVES

Thursday, June 21, 2001

Mr. HILLEARY. Mr. Speaker, I rise today to honor the memory of Major General Daniel F. Callahan for his honorable and faithful service to our country.

General Callahan, who passed away June 10, 2001, was born in Zenda, Kansas, on June 8, 1910. Following his graduation from the U.S. Military Academy in 1931, he served the next thirty-two years in the U.S. Air Force. His military career was devoted to flying and working in maintenance, engineering and supply. During World War II, he was assigned to the China-Burma-India theatre, where he saw action flying the "Hump". Following the war, he attended the Air War College, served in NATO as head of the US Defense Production Staff in London, and was Chief, Military Assistance Advisory Group, United Kingdom.

In June 1957, he was assigned as Commander, Mobile Air Material Area and followed this assignment with a two-year tour at the Pentagon where he was Director of Logistics for the Joint Chiefs of Staff. The Cuban Missile Crisis highlighted this tour, where General Callahan oversaw the massive movement and positioning of personnel and equipment to deal with this crisis.

Following his retirement in 1963, General Callahan spent five years with Chrysler Corporation in their Defense-Space Group, and in 1968, he joined NASA at the Kennedy Space Center as the Director of Administration. He was there for five years, which included the Lunar landing program and man's first steps on the moon.

After retiring from NASA, Gen. Callahan devoted most of his time to the Air Force Association, serving as Chapter President in both Florida and Tennessee and state President in Florida. He was a permanent Member of the National Board of Directors and in 1979, he was elected as National Chairman of the Board. Gen. Callahan was chosen as the Air Force Association's Man of the Year in 1981.

General Callahan received a master's in Engineering from the University of Michigan and an Honorary Doctorate in Law from the University of Alabama. A Command Pilot with 10,200 hours flying time, General Callahan was awarded many military and civilian awards, including the Distinguished Service Medal and legion of merit with two Bronze Oak Leaf Clusters.

Mr. Speaker, General Callahan was a great success in each duty he held, and his country is the better for it. You know, there's a song that virtually every graduate of General Callahan's alma mater, West Point, knows the words to and tries to live up to. Its last verse includes the solemn words,

"And when our work is done, Our course on earth is run, May it be said 'Well Done,' Be thou at peace."

Mr. Speaker, General Callahan certainly lived up to those words. I think I speak for all of General Callahan's countrymen when I say, "Well done, sir. Be thou at peace."

**CORAL REEF AND COASTAL MA-
RINE CONSERVATION ACT OF 2001**

HON. MARK STEVEN KIRK

OF ILLINOIS

IN THE HOUSE OF REPRESENTATIVES

Thursday, June 21, 2001

Mr. KIRK. Mr. Speaker, today I introduced bipartisan legislation, H.R. 2272 the "Coral Reef and Coastal Marine Conservation Act of 2001," to help developing countries reduce foreign debt and provide for the creation of comprehensive environmental preservation programs to protect endangered marine habitats around the world. I have been joined by thirteen of my colleagues who are committed to creatively addressing two problematic issues of foreign policy.

The burden of foreign debt falls especially hard on the smallest of nations, such as island nations in the Caribbean and Pacific. With few natural resources, these nations often resort to harvesting or otherwise exploiting coral reefs and other marine habitats to earn hard currency to service foreign debt.

The Coral Reef and Coastal Marine Conservation Act of 2001 will essentially credit qualified developing nations for each dollar spent on a comprehensive reef preservation or management program designed to protect these unique ecosystems from degradation.

This legislation will make available resources for environmental stewardship that would otherwise be of the lowest priority in a developing country. It will reduce debt by investing locally in programs that will strengthen indigenous economies by creating long-term management policies that will preserve the natural resources upon which local commerce is based.

This concept has been successfully used by the United States to encourage environmental stewardship that would otherwise prove cost-prohibitive to developing countries. Resources are reinvested in local economic growth and our planet as a whole reaps the benefit.

I urge my colleagues to join myself and my cosponsors in support of this legislation.

**TRIBUTE TO ANN DAWSON
TORREY**

HON. ANNA G. ESHOO

OF CALIFORNIA

IN THE HOUSE OF REPRESENTATIVES

Thursday, June 21, 2001

Ms. ESHOO. Mr. Speaker, I rise today to pay tribute to a distinguished American, and long-time constituent of California's 14th Congressional District—Ann Dawson Torrey, who passed away on May 25, 2001.